



## CITY OF DURHAM | NORTH CAROLINA

**Date:** June 16, 2014  
**To:** Thomas J. Bonfield, City Manager  
**Through:** Wanda S. Page, Deputy City Manager  
**From:** Bertha T. Johnson, Director of Budget & Management Services  
**Subject:** FY2014-2015 Budget and FY2015-2020 Capital Improvement Plan (CIP)

### Executive Summary

The City Manager presented the proposed FY2014-2015 Budget and FY2015-2020 Capital Improvement Plan (CIP) to the City Council on May 19, 2014. The City Council held hearings on the proposed budget and CIP on May 28<sup>th</sup> and May 29<sup>th</sup>. A public hearing to receive comments from the public on the proposed budget was held on Monday, June 2<sup>nd</sup>. The Administration is requesting adoption of the FY2014-2015 Budget ordinance, FY2015-2020 Capital Improvement Plan (CIP) ordinances and other related ordinances (fees, internal service plans, and grant project ordinances) and resolutions.

### Recommendation

The Administration recommends that the City Council adopt the FY2014-2015 City of Durham Budget ordinance, 2015-2020 Capital Improvement Plan ordinances and other related ordinances and resolutions.

The tax rate would be \$0.5854 per \$100 of assessed value and allocated as follows:

General Fund Operations	\$0.3843
Debt	\$0.1524
Transit Operations	\$0.0387
Dedicated Housing Funding	\$0.0100
<b>Total Rate per \$100 Valuation of Taxable Property</b>	<b>\$0.5854</b>

### Background

The City Manager presented the proposed FY2014-2015 Budget to the City Council on May 19, 2014. The City Council held hearings on the proposed budget and CIP on May 28<sup>th</sup> and May 29<sup>th</sup>, 2014. A public hearing, to hear residents' comments on the proposed budget, was held on Monday, June 2<sup>nd</sup> in conjunction with our 2<sup>nd</sup> E-Town Hall. Residents were given an opportunity to submit questions in advance via e-mail, YouTube, Facebook and Twitter and hear City Council responses to those questions live on DTV8 or via live stream on the City's website. Questions were also accepted during the live event.

During the budget hearings the City Council directed the Administration to make the following changes to the proposed budget:

1. Add ½ cent per \$100 of assessed value to the tax rate (\$1.2M). Of which, \$907,698 is allocated to the Parks and Recreation departmental budget and \$301,000 added to the General Services departmental budget. This funding also supports 12 new employees.
2. Appropriate \$129,000 from fund balance to replace the anticipated loss of privilege license revenue due to the recently approved General Assembly tax legislation containing changes pertaining to the privilege license taxes. The legislation contains a provision that for FY2014-15, the privilege license tax may only be levied on businesses with a physical location inside the City limits. This change will reduce the amount the City anticipates collecting by \$129,000.
3. Appropriate \$20,000 from fund balance to retain a historic preservation consultant to begin work on the Golden Belt Local Historic District. A petition to establish a Golden Belt Local Historic District, signed by 28% of the property owners, was submitted to the Planning Department on October 29, 2010. Since that time the Planning Department has been unable to make progress on the district designation due to limited staff resources and higher priority work program items that have taken precedence.
4. Appropriate \$101,000 from fund balance for the Made in Durham Task Force. The Task Force has developed a two-year budget totaling \$1.9 million dollars. For the first year, the Task Force has requested one third (\$303,000) of the necessary funds come from the public sector. The current proposal is that Durham Public Schools, Durham County and the City of Durham each contribute \$101,000 for FY14-15.
5. Based on feedback received at the public hearing about the condition of sidewalks, appropriate \$125,000 from fund balance to Public Works department for additional sidewalk repairs.
6. Reduce the City Council contingency budget by \$10,000 and appropriate the same to provide funding to support the Mayor's Poverty Initiative task forces.

All changes that were made between the proposed and final budget resulted in an increase to the General Fund budget of \$1,447,586. The changes detailed above in numbers 1, and 3 – 5 account for a \$1,454,698 increase. Numbers 2 and 6 above are net zero transactions. The other \$7,112 decrease is a combination of very minor fixes discovered after the preliminary budget was prepared. The only other changes to the operating ordinance were a \$75,000 increase to the Transit Fund to add the correct amount of new revenue for new service, and a \$340,000 increase to the Cemeteries Perpetual Care Fund to account for a transfer out to a CIP project that was mistakenly omitted in the preliminary budget.

#### **Alternative**

The Council could choose to adopt one of the alternate options discussed during the budget hearings.

**Option 1: Eliminate the Solid Waste Fee**

The City currently charges a monthly \$1.80 fee for the collection of residential garbage. For FY 15, the fee is anticipated to raise \$1,399,967 in revenue for the Solid Waste Fund, based upon 64,813 customers. The City Council could opt to eliminate the fee and replace it with property tax revenue. The resulting tax increase required to cover the \$1,399,967 is \$0.0058 to the Debt Service Fund, making the rate dedicated to that fund \$0.1582, and bringing the total new proposed tax rate to \$0.5912 per \$100 of assessed value.

**Option 2: Phase Out the Solid Waste Fee**

The City Council could opt to phase out the Solid Waste fee by converting a portion of the fee revenue to property tax. Administration has proposed a 1.79 cent property tax rate increase, with Council permitting up to a 2 cent increase on the tax rate. The additional 0.21 penny on the tax rate would generate \$507,654 in revenue for Solid Waste. The remaining \$892,313 to balance the fund would need to come from the Solid Waste fee in FY 15. Based upon 64,813 customers, this would result in a monthly fee of \$1.15 (65 cent monthly decrease from current fee).

The City Council could also opt to not adopt either of the ordinances however, G.S. 159-13(a) directs that budget adoption take place by July 1. If the budget is not adopted by July 1, the Council must adopt “interim appropriations for the purpose of paying salaries, debt service and usual ordinal expenses” of the City until the ordinance is adopted. Expenditures may not be made after July 1 without supporting appropriation or interim appropriations.

**Financial Impact**

The FY2014-2015 Budget ordinance total is \$388,533,663 and the CIP ordinances (Ball Park, Durham Performing Arts Center, General, Parking, Solid Waste, Stormwater, Transit and Water and Sewer) total \$667,035,025. Details of both are included in the attached documents.

If the recommended ordinance is not adopted, the impacts of the other options are as follows:

Option 1: Eliminate the Solid Waste fee and replacing with property tax revenue: The FY2014-2015 Budget ordinance total would increase to \$389,933,630 as the Debt Service Fund would receive the additional tax revenue and transfer it out to the Solid Waste Fund. The tax rate would increase to \$0.1582 for the Debt Service Fund, and \$0.5912 for the City overall.

Option 2: Phase out the Solid Waste fee: The FY2014-2015 Budget ordinance total would increase to \$389,041,317 as the Debt Service Fund would receive the additional tax revenue and transfer it out to the Solid Waste Fund. The tax rate would increase to \$0.1545 for the Debt Service Fund, and \$0.5875 for the City overall. The Solid Waste fee would decrease to \$1.15 per month, and would generate about \$892,313.

**SDBE Summary**

Not applicable